



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CUMBERLAND COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
CUMBERLAND COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Cumberland County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$303,847 from the prior fiscal year, resulting in a cash surplus of \$1,256,256 as of June 30, 2001. Revenues increased by \$546,244 from the prior year and disbursements increased by \$389,718.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$3,783,000. Future collections of \$5,341,605 are needed over the next 20 years to pay all bonded debt principal and interest.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$543,334 And Enter Into Written Agreements To Protect Deposits
- The County Should Have Obtained Bids For Expenditures Over \$10,000 As Required By The County's Administrative Code

Deposits:

On June 30, 2001, the fiscal court's deposits were uninsured and uncollateralized by \$543,334. In addition, the Cumberland Health Services Corporation and the Cumberland County-Burkesville Nursing Home Corporation did not have written agreements with the depository institutions.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Cumberland County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Cumberland County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Cumberland County Tourist Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Cumberland County Tourist Commission, is based upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Cumberland County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Cumberland County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2001 on our consideration of Cumberland County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$543,334 And Enter Into Written Agreements To Protect Deposits
- The County Should Have Obtained Bids For Expenditures Over \$10,000 As Required By The County's Administrative Code

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cumberland County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

December 21, 2001

CUMBERLAND COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Donna Thurman-Knight	County Judge/Executive
Thomas J. Brown	Magistrate
Frankie Sells	Magistrate
Lester K. Long	Magistrate
Dewey Earl Branham	Magistrate

Other Elected Officials:

Lindsey Bell	County Attorney
Floyd Branham	Jailer
Betty L. Hogan	County Clerk
Hazel Jones	Circuit Court Clerk
James Pruitt	Sheriff
Gina Watson	Property Valuation Administrator
Gary White	Coroner

Appointed Personnel:

Christine Smith	County Treasurer
Deborah Staley	Occupational Tax Collector
Shirley Scott	Finance Officer
Shirley Scott	Payroll Officer
Ricky Mann	Road Supervisor
Deborah Staley	Solid Waste Coordinator

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CUMBERLAND COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$	325,779	
Road and Bridge Fund:			
Cash		94,981	
Jail Fund:			
Cash		16,905	
Local Government Economic Assistance Fund:			
Cash		11,062	
Fire Protection Fund:			
Cash		6,186	
Payroll Revolving Account - Cash		<u>23</u>	\$ 454,936

Debt Service Fund Type

Voted Hospital Bond Fund:

Cash	\$	53	
Cumberland Health Services Corporation Bond Fund:			
Debt Retirement Account - Cash		119,744	
Debt Service Account - Cash		175,465	
Depreciation Reserve Account - Cash		<u>175,470</u>	470,732

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

Debt Retirement Account - Cash	\$	82,653	
Debt Service Account - Cash		168,377	
Depreciation Reserve Account - Cash	\$	79,581	
Due From Debt Service Account (Note 5)		<u>43,417</u>	122,998
Cumberland Valley Manor, Inc. - Funds Due (Note 5)		<u>11,962</u>	<u>385,990</u>

Total Assets		\$	1,311,658
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The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources (Continued)

Other Resources

Debt Service Fund Type

Cumberland Health Services Corporation Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments \$ 2,293,256

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments 1,287,347 3,580,603

Total Assets and Other Resources \$ 4,892,261

Liabilities and Fund Balances

Liabilities

General Fund Type

Payroll Revolving Account \$ 23

Debt Service Fund Type

Voted Hospital Bond Fund:

Paying Agent 53

Cumberland Health Services Corporation Bond Fund:

1992 Bonds Not Matured (Note 4A) 2,413,000

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

1977 Bond Series Not Matured (Note 4B) \$ 352,000

1981 Bond Series Not Matured (Note 4B) 241,000

1981 Bonds Matured and Not Paid 1,000

1991 Bond Series Not Matured (Note 4B) 776,000 1,370,000

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

Debt Service Reserve Account

Due to Depreciation Reserve Account (Note 5) 43,417

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Fire Protection Fund		\$	6,186
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Debt Service Fund Type

Cumberland Health Services Corporation Bond Fund:

Debt Service Reserve Account	\$	175,465	
Depreciation Reserve Account		175,470	

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

Debt Service Reserve Account		124,960	
Depreciation Reserve Account		<u>134,960</u>	610,855

Unreserved:

General Fund Type

General Fund	\$	325,779	
Road and Bridge Fund		94,981	
Jail Fund		16,905	
Local Government Economic Assistance Fund		<u>11,062</u>	<u>448,727</u>

Total Liabilities and Fund Balances			<u><u>\$ 4,892,261</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CUMBERLAND COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,218,949	\$ 1,186,737	\$ 924,971	\$ 51,303
Transfers In	276,280	189,033		87,247
Lease-Rental Income	371,413			
Total Cash Receipts	<u>\$ 2,866,642</u>	<u>\$ 1,375,770</u>	<u>\$ 924,971</u>	<u>\$ 138,550</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,954,080	\$ 1,049,080	\$ 755,026	\$ 129,156
Schedule of Unbudgeted Expenditures	16,675			
Transfers Out	276,280	87,247	173,252	14,084
Bonds:				
Principal Paid	137,210			
Interest Paid	178,550			
Total Cash Disbursements	<u>\$ 2,562,795</u>	<u>\$ 1,136,327</u>	<u>\$ 928,278</u>	<u>\$ 143,240</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 303,847	\$ 239,443	\$ (3,307)	\$ (4,690)
Cash Balance - July 1, 2000	<u>952,409</u>	<u>86,336</u>	<u>98,288</u>	<u>21,595</u>
Cash Balance - June 30, 2001	<u>\$ 1,256,256</u>	<u>\$ 325,779</u>	<u>\$ 94,981</u>	<u>\$ 16,905</u>

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Type			Debt Service Fund Type		
Local Government Economic Assistance Fund	Fire Protection Fund	Grant Fund	Voted Hospital Bond Fund	Cumberland Health Services Corporation Bond Fund	Cumberland County-Burkesville Nursing Home Corporation Bond Fund
\$ 20,122	\$ 3,318	\$	\$	\$ 20,305	\$ 12,193
				222,280	149,133
\$ 20,122	\$ 3,318	\$ 0	\$ 0	\$ 242,585	\$ 161,326
\$ 18,180	\$ 2,638	\$	\$	\$	\$
		1,697			16,675
				58,000	79,210
				123,550	55,000
\$ 18,180	\$ 2,638	\$ 1,697	\$ 0	\$ 181,550	\$ 150,885
\$ 1,942	\$ 680	\$ (1,697)	\$ 0	\$ 61,035	\$ 10,441
9,120	5,507	1,697	53	409,644	320,169
\$ 11,062	\$ 6,187	\$ 0	\$ 53	\$ 470,679	\$ 330,610

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Cumberland County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Cumberland Health Services Corporation Bond Fund, the Cumberland County-Burkesville Nursing Home Corporation Bond Fund, and the Cumberland County Tourist Commission as part of the reporting entity.

Cumberland Health Services Corporation Bond Fund

Cumberland Health Services Corporation Bond Fund was established to finance property and equipment for the Cumberland County Hospital. The County entered into a contract with the management corporation of the hospital to provide rental payments to retire the related bonds. This relationship along with the fact that the county has the authority to require the entity to maintain enough revenue to meet bond requirements makes this a component unit of the county. The financial information of the component unit is blended within the financial statements.

Cumberland County-Burkesville Nursing Home Corporation Bond Fund

Cumberland County-Burkesville Nursing Home Corporation Bond Fund was established to finance property and equipment for the Cumberland Valley Manor Nursing Home. The County entered into a contract with the management corporation of the nursing home to provide rental payments to retire related bonds. This relationship along with the fact that the county has the authority to require the entity to maintain enough revenue to meet bond requirements makes this a component unit of the county. The financial information of the component unit is blended within the financial statements.

Cumberland County Tourist Commission

On February 25, 2000, the Cumberland County Fiscal Court (Fiscal Court) established the Cumberland County Recreational Tourist and Convention Commission (Commission) pursuant to KRS 91A.350 through KRS 91A.390 for the purpose of promoting tourism and convention activity in Cumberland County. The Commission is composed of five members appointed by the Cumberland County Judge/Executive. Three members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at large by the County Judge/Executive.

CUMBERLAND COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Cumberland County Tourist Commission (Continued)

The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependant on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. In accordance with the ordinance, the Fiscal Court collects "3% of the gross rent for every occupancy of a suite, room, or rooms charged and collected" by "every person, company, corporation, or other like or similar persons, groups, or organizations, doing business as motor courts, motels, inns, or like business in Cumberland County. These receipts are to be paid by the Fiscal Court on a monthly basis to the Cumberland County Recreational Tourism and Convention Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a Component Unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively for the Fiscal Court; therefore the financial activity of the Commission will be presented discretely.

Additional - Cumberland County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Cumberland County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Cumberland County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Cumberland County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Fire Protection Fund and the Grant Fund.

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Voted Hospital Bond Fund, the Cumberland Health Services Corporation Bond Fund, and the Cumberland County-Burkesville Nursing Home Corporation Bond Fund. Debt service is provided through annual transfers from the rental revenues in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Cumberland County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Cumberland Health Services Corporation Bond Fund and the Cumberland County-Burkesville Nursing Home Corporation Bond Fund (Debt Service Funds) because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. The Department for Local Government does not require these funds to be budgeted.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Cumberland County Fiscal Court: Ambulance District, Library District, Extension District, and Cumberland County Water District.

Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the Burkesville-Cumberland County Industrial Development Authority is a joint venture.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CUMBERLAND COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$543,334 of public funds uninsured and unsecured. In addition, the county did not have written agreements with the depository institutions for the Cumberland County Health Services Corporation Bond Fund or the Cumberland County-Burkesville Nursing Home Corporation Bond Fund securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

Insured or collateralized with securities held by pledging depository institution in the county's name	745,365
Uncollateralized and uninsured	<u>543,334</u>
Total	<u><u>\$ 1,288,699</u></u>

Note 4. Long-Term Debt

A. Outstanding Mortgage Revenue Bonds Of The Cumberland Health Services Corporation Fund
 Include The Following:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2002	\$ 120,650	\$ 61,000
January 1, 2003	117,600	65,000
January 1, 2004	114,350	68,000
January 1, 2005	110,950	73,000
January 1, 2006	107,300	77,000
2007-2022	<u>1,003,850</u>	<u>2,069,000</u>
Totals	<u><u>\$ 1,574,700</u></u>	<u><u>\$ 2,413,000</u></u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt (Continued)

A. Outstanding Mortgage Revenue Bonds Of The Cumberland Health Services Corporation Include The Following: (Continued)

In 1992, the Hospital entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court to pay principal and interest on the Series 1992 bond issue. The bonds mature serially through January 1, 2022, and require annual principal and interest payments at rates ranging from 5.25% to 6.75%. The bonds are collateralized by all revenues generated by Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1992 were used to finance the construction of an addition to the Cumberland County Hospital.

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Includes The Following:

First Mortgage Series Bonds, Series 1977

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2002	\$ 17,600	\$ 16,000
January 1, 2003	16,800	17,000
January 1, 2004	15,950	18,000
January 1, 2005	15,050	19,000
January 1, 2006	14,100	20,000
2007-2016	<u>77,250</u>	<u>262,000</u>
Totals	<u>\$ 156,750</u>	<u>\$ 352,000</u>

In 1977, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court and the City of Burkesville, Kentucky to pay principal and interest on the 1977 Series bond issue. The bonds mature serially through January 1, 2016, and require annual principal and interest payments at a rate of 5%. The bonds are secured by a Mortgage Deed of Trust dated as of January 1, 1976 by and between the Cumberland County-Burkesville Nursing Home Corporation and Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, Trustee and by a lien on and a pledge of the rents, issues, profits, and revenues derived from the operations of the Cumberland Valley Manor Nursing Home. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1977 were used to finance the construction of Cumberland Valley Manor Nursing Home.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long Term Debt (Continued)

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Includes The Following: (Continued)

Mortgage Revenue Bonds, Series 1981

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2002	\$ 12,050	\$ 22,000
January 1, 2003	10,950	23,000
January 1, 2004	9,800	24,000
January 1, 2005	8,600	25,000
January 1, 2006	7,350	27,000
2007-2010	<u>15,350</u>	<u>120,000</u>
Totals	<u>\$ 64,100</u>	<u>\$ 241,000</u>

In 1981, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court and the City of Burkesville, Kentucky to pay principal and interest on the 1981 Series bond issue. The bonds mature serially through January 1, 2010, and require annual principal and interest payments at a rate of 5%. The annual principal and interest requirements are to be provided by an annual payment required by the contract, lease, and option, dated January 1, 1981, to be made seventy percent (70%) by the county and thirty percent (30%) by the city. The Cumberland County-Burkesville Nursing Home Corporation leases the nursing home facilities to the county and city, which subleases the facilities to the Cumberland Valley Manor, Inc. for the operation of the facilities. Under the terms of the contract with the subleases, the county and city are to ensure rents, issues, profits, and revenues derived from the operation of the Cumberland Valley Manor Nursing Home are adequate for the operation of the facility and the necessary allowance for depreciation and the orderly retirement of the outstanding debt obligations and the accumulation of necessary reserves. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1981 were used to finance an addition and equipment for the Cumberland Valley Manor Nursing Home.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long Term Debt (Continued)

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home
Include The Following: (Continued)

Mortgage Revenue Bonds, Series 1991

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2002	\$ 46,560	\$ 21,000
January 1, 2003	45,300	22,000
January 1, 2004	43,980	24,000
January 1, 2005	42,540	25,000
January 1, 2006	41,040	27,000
2007-2021	<u>356,940</u>	<u>657,000</u>
Totals	<u>\$ 576,360</u>	<u>\$ 776,000</u>

In 1991, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County-Burkesville Nursing Home Corporation, Cumberland County Fiscal Court, and the City of Burkesville, Kentucky to pay principal and interest on the 1991 Series bond issue. The bonds mature serially through January 1, 2021, and require annual principal and interest payments at a rate of 6%. The annual principal and interest requirements are to be provided by an annual payment from rental payments. The Cumberland County-Burkesville Nursing Home Corporation leases the nursing home facilities to the county and city, which subleases the facility to the Cumberland Valley Manor, Inc. for the operation of the facilities. Under the terms of the contract with the Corporation, County, City, and Cumberland Valley Manor, Inc. (the sublease), the county and city are to ensure rents, issues, profits, and revenues derived from the operations of the Cumberland Valley Manor Nursing Home are adequate for the operation of the facility and the necessary allowance for depreciation and the orderly retirement of the outstanding debt obligations and the accumulation of necessary reserves. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1991 were used to finance the expense incident to constructing improvements to the existing nursing home facility and the expenses incident to the authorization and sale of the bonds.

CUMBERLAND COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 5. Balances In Depreciation And Debt Reserve Accounts

Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee.

Depreciation Reserve And Debt Reserve Accounts	<u>June 30, 2001</u>
1977 Issue:	
Initial Deposit	\$ 10,000
Reserve Accounts	50,000
1981 Issue:	
Reserve Accounts	60,000
1991 Issue:	
Initial Deposit	10,000
Reserve Accounts	<u>129,920</u>
Total Amount of Required Deposits with Trustee	<u>\$ 259,920</u>

The Depreciation Reserve and Debt Reserve Accounts have cash of \$49,155 and certificates of deposit of \$198,803 for a total of \$247,958. An additional amount of \$11,962 should be deposited into these accounts by Cumberland Valley Manor, Incorporated to meet the debt reserve requirements. In addition, surplus reserves of \$43,417 should be transferred from the Debt Reserve Account to the Depreciation Reserve Account.

Note 6. Closure and Postclosure Care Cost of Ferrill & Stockton Solid Waste Landfill

State and Federal Laws and regulations required Cumberland and Clinton County Fiscal Courts to place a final cover on its Municipal Solid Waste Landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for two years after closure. Closure and postclosure care costs have been paid as they were incurred after the date the landfill stopped accepting waste.

The original estimated cost of closure was \$52,999. This did not include manpower. These costs have been absorbed through the use of road fund equipment and personnel. This responsibility has been shared by both Cumberland and Clinton County. The counties were released from further groundwater monitoring September 22, 2000. The counties received a new permit February 16, 2001 extending the expiration date of their previous permit to September 6, 2002. The expected additional costs related to closure or postclosure care includes completing the requirements related to the final cap, which included grading, fertilizing, and seeding.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Copier	12/17/1999	12/17/02	0.0%	\$ 3,563
Tractor/Mower	4/26/2000	02/26/02	0.0%	13,417
Voting Machines	10/23/1998	10/20/02	4.747%	12,306

Note 8. Related Party Transactions

On November 28, 2000, the Cumberland County Fiscal Court paid \$864 to Pruitt's Body Shop for repairs to the Jailer's car which was involved in an accident. Pruitt's Body Shop is owned by James Pruitt, Cumberland County Sheriff. This does not appear to be a violation of the county's ethics code.

Note 9. Subsequent Events

On August 17, 2001, the Cumberland County Fiscal Court approved a resolution to issue \$5,560,000 in revenue bonds for a new Justice Center.

Note 10. Insurance

For the fiscal year ended June 30, 2001, Cumberland County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CUMBERLAND COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,106,589	\$ 1,186,737	\$ 80,148
Road and Bridge Fund	847,178	924,971	77,793
Jail Fund	48,703	51,303	2,600
Local Government Economic Assistance Fund	10,475	20,122	9,647
Fire Protection Fund	4,250	3,318	(932)
Totals	<u>\$ 2,017,195</u>	<u>\$ 2,186,451</u>	<u>\$ 169,256</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 2,017,195
Add: Budgeted Prior Year Surplus	<u>191,589</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,208,784</u>

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SCHEDULE OF OPERATING REVENUE

CUMBERLAND COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 412,639
In Lieu Tax Payments	20,399
Excess Fees	16,947
License and Permits	7,434
Intergovernmental Revenues	1,684,143
Charges for Services	
Miscellaneous Revenues	22,705
Interest Earned	<u>22,184</u>
Total Operating Revenue	<u><u>\$ 2,186,451</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CUMBERLAND COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 368,024	\$ 355,732	\$ 12,292
Protection to Persons and Property	175,918	151,894	24,024
General Health and Sanitation	39,346	33,852	5,494
Social Services	1,705	1,700	5
Recreation and Culture	22,045	19,986	2,059
Roads	682,576	666,258	16,318
Debt Service	34,148	34,101	47
Capital Projects	29,552	27,804	1,748
Administration	855,470	662,753	192,717
 TOTAL BUDGET - ALL GENERAL FUND TYPES	 \$ 2,208,784	 \$ 1,954,080	 \$ 254,704

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CUMBERLAND COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

CUMBERLAND COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Cumberland County-Burkesville
Nursing Home Corporation Bond Fund

<u>Expenditure Item</u>	<u>Depreciation Reserve Account</u>
Repairs	<u>\$ 16,675</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Cumberland County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 2001. We did not audit the financial statements of the Cumberland County Tourism Commission. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cumberland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$543,334 And Enter Into Written Agreements To Protect Deposits
- The County Should Have Obtained Bids For Expenditures Over \$10,000 As Required By The County's Administrative Code

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumberland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 21, 2001

COMMENTS AND RECOMMENDATIONS

CUMBERLAND COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2001

NONCOMPLIANCES

- 1) The County Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$543,334 And Enter Into Written Agreements To Protect Deposits

On June 30, 2001, \$543,334 of the county's deposits of public funds were uninsured and unsecured. This included \$296,876 for the county's general fund type accounts, \$81,456 for the Cumberland County-Burkesville Nursing Home Corporation Fund, and \$165,002 for the Cumberland Health Services Corporation Fund. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into written agreements with the depository institutions for the Cumberland County-Burkesville Nursing Home Corporation Fund and the Cumberland Health Services Corporation Fund to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), these agreements, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Donna Thurman-Knight's Response:

None.

County Treasurer Christine Smith's Response:

The Bank failed to keep pledge in force and is sending letter to this effect.

- 2) The County Should Have Obtained Bids For Expenditures Over \$10,000 As Required By The County's Administrative Code

During the audit we discovered that the Cumberland County Fiscal Court did not obtain bids on two expenditures over \$10,000. On October 10, 2000, the county expended \$10,518 for repairs to a tractor and mower without obtaining bids. On November 28, 2000, the fiscal court voted to purchase two-stair glides for the courthouse at a cost of \$19,700 without obtaining bids. For this purchase a deposit of \$9,850 was paid on November 29, 2000 and the balance of \$9,850 was paid on January 29, 2001. KRS 424.260 states, except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county may make a contract, lease, or other agreement for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than \$20,000 without first making newspaper advertisements for bids. However, prior to April 10, 2001, the county's administrative code stated "all contracts or purchases by the county that exceed on a cumulative basis of \$10,000 or more during one year shall first be publicly advertised by the county judge/executive the newspaper of largest circulation in the county and other news media as the judge/executive deems necessary in order to receive adequate competitive bidding".

CUMBERLAND COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2001
(Continued)

2) The County Should Have Obtained Bids For Expenditures Over \$10,000 As Required By The
County's Administrative Code (Continued)

The county's administrative code further states that "the advertising requirements in excess of \$10,000 may be waived if: (1) an emergency exist and the judge/executive has duly certified in writing that an emergency exists and has filed said certification to the county treasurer and county court clerk" or (2) "the contract is for professional services (Architecture, Engineering, Consultants, etc.)". We found no indication that either of these requirements were met. The county's administrative code was amended on April 10, 2001 to increase the bid requirement amount to \$20,000. We recommend that in the future the fiscal court comply with the bid requirements set forth the county's administrative code.

County Judge/Executive Donna Thurman-Knight's Response:

The Administrative Code was changed 4/10/01 so this will not happen again.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

CUMBERLAND COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
CUMBERLAND COUNTY FISCAL COURT

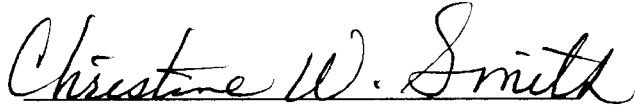
Fiscal Year Ended June 30, 2001

The Cumberland County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer

CUMBERLAND COUNTY
TOURISM COMMISSION AUDIT

Fiscal Year Ended June 30, 2001

CUMBERLAND COUNTY TOURIST COMMISSION

AUDITED FINANCIAL STATEMENTS

Year Ending June 30, 2001

CUMBERLAND COUNTY TOURIST COMMISSION
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Year Ended June 30, 2001

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	4
STATEMENT OF CASH FLOWS	5
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**CUMBERLAND COUNTY TOURIST COMMISSION
P.O. BOX 23
BURKESVILLE, KENTUCKY 42717**

**CHAIRMAN
Brian Humphrey**

**VICE CHAIRMAN
Eric Garland**

**SECRETARY
Carolyn Spivey**

**TREASURER
Mark Brewington**

**COMMISSION MEMBERS
Peggy Branham
Greg Smith
Thomas May**

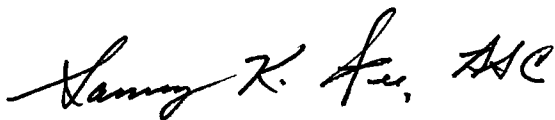
INDEPENDENT AUDITOR'S REPORT

To the Tourist Commission
Cumberland County Tourist Commission
Burkesville, Kentucky 42717

I have audited the accompanying financial statements of Cumberland County Tourist Commission as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Cumberland County Tourist Commission management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland County Tourist Commission as of June 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Larry K. Lee, ASC". The signature is fluid and cursive, with the initials "ASC" written in a slightly larger, more formal script at the end.

Lexington, Kentucky
February 25, 2002

CUMBERLAND COUNTY TOURIST COMMISSION
STATEMENTS OF ASSETS, LIABILITIES, AND FUND EQUITY
June 30, 2001

ASSETS

Cash	\$ 17,867
------	-----------

<u>TOTAL ASSETS</u>	<u>\$ 17,867</u>
----------------------------	-------------------------

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable and accrued liabilities	\$ 0
--	------

Total Liabilities	0
-------------------	---

FUND EQUITY

Fund balance	17,867
--------------	--------

Total Fund Equity	17,867
-------------------	--------

<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 17,867</u>
---	-------------------------

The accompanying notes are an integral part of these financial statements.
Page 3

CUMBERLAND COUNTY TOURIST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2001

OPERATING REVENUES

Tourism Tax	\$ 19,905
-------------	-----------

Total Revenues	<u>19,905</u>
----------------	---------------

OPERATING EXPENDITURES

Administration	156
----------------	-----

Brochures, Pamphlets and Posters	1,621
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Travel	90
--------	----

Telephone	135
-----------	-----

Meals and Entertainment	<u>36</u>
-------------------------	-----------

Total Expenditures	<u>2,038</u>
--------------------	--------------

Excess (deficiency) of operating revenues over (under) operating expenditures	<u>17,867</u>
--	---------------

Fund balance, beginning of year	0
---------------------------------	---

<u>FUND BALANCE, END OF YEAR</u>	<u><u>\$ 17,867</u></u>
----------------------------------	-------------------------

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY TOURIST COMMISSION
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2001

CASH FLOWS PROVIDED (USED) FROM OPERATING ACTIVITIES:

Net operating revenues	\$ 17,867
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease prepaid insurance	0
Increase (decrease) in accounts payable and accrued liabilities	0
Total adjustments	0
Net cash flows provided (used) from operating activities:	17,867
Net increase (decrease) in cash and cash equivalents	17,867
Cash and Cash Equivalents, beginning of year	0
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 17,867</u>
SUPPLEMENTAL DISCLOSURES	
Operating activities reflect interest paid during year	<u>\$ 0</u>

CUMBERLAND COUNTY TOURIST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cumberland County Tourist Commission was created by an ordinance of Cumberland County Fiscal Court. Its primary purpose is to promote recreational, convention, and tourist activity, and to levy a transient room tax of 3% of the rent charged by every person, company, corporation, or other like or similar persons doing business as motor courts, motels, hotels, inns or like business in Cumberland County.

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting and accordingly reflect all significant assets and liabilities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Commission considers all cash as cash and cash equivalents with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 2. CASH AND CASH EQUIVALENTS

The total cash held by the Commission at June 30, 2001 is \$17,867. All monies are properly covered by the Federally insured limits or FDIC.

CUMBERLAND COUNTY TOURIST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
June 30, 2001

NOTE 3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash carrying amounts reported in the statement of financial position approximate fair values because of their short maturities.

The estimated fair values of the Commission's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>		<u>Fair Value</u>
Financial Assets:			
Cash and cash equivalents	\$ 17,867	\$	17,867